**IN RE: Resolution Regarding…..**

**DOCKET NO. UD-08-02**

**JOINT COMMENTS of the Alliance for Affordable Energy, Green Coast Enterprises, Greater New Orleans Housing Alliance on the Joint Comments of Entergy New Orleans, Inc. and Entergy Louisiana, LLC Regarding the Consideration of Issues Related to Decoupling**

**Submitted: August 12, 2015**

The City Council of the City of New Orleans (the “Council”) has evidenced a strong commitment to creating a smart, fair, and resilient structure for Entergy New Orleans (“ENO”) and Entergy Louisiana (“ELL”) (collectively, the “Companies”) to deliver electricity and gas services to its customers in a manner that will promote long-term growth of the City, sustainability, and deliver value to all stakeholders.

The Council’s pursuit of an Integrated Resource Plan, better energy efficiency programs, and directive to the Companies to submit a decoupling proposal are all critical elements of the commitment to long-term, sustainable growth for the City.

Decoupling recognizes and responds to the fact that increasing energy efficiency delivers value to all stakeholders, including the Companies, and the rate structure that determines the Companies’ earnings should not penalize the Companies when usage declines. Decoupling is the best way to accomplish that goal, and experience in other leading cities and states is that decoupling helps to create a working partnership between the city, its residents, and the utility.

We appreciate the Companies’ active and constructive engagement in the process to develop the current decoupling proposal, described in the ENO and ELL Joint Comments Regarding the Consideration of Issues Related to Decoupling (the “Companies’ Proposal”).[[1]](#footnote-1) We believe the collaborative process will produce a better outcome for the Companies, the City, and all of its residents.

The Companies’ Proposal is encouraging and we welcome the substantial progress reflected in it. We have several specific comments on the Companies’ Proposal (below). We do not want our suggestions to overshadow the fact that the Companies have come a long way in this process.

AAE and GCE are joined in these written Comments by the Greater New Orleans Housing Alliance (GNOHA). GNOHA is a non-profit collaborative organization made up of the housing builders, community development corporations, financial institutions and other housing advocates. GNOHA includes representatives from organizations such as Providence Community Housing, Crescent City Community Land Trust, and the Volunteers of America.

GNOHA is an important stakeholder in matters relating to energy efficiency because of the opportunity for the Companies to be a powerful force to help improve the lives of residents of housing, especially affordable housing, in the City. Though efficiency programs, the Companies can assist building owners in making repairs and improvements that can save large amounts of energy, reduce housing expenses for residents, and deliver value to residents and housing owners. Such efforts must be carefully administered as part of programs approved by the Council and contemplated in the IRP. It is important to GNOHA and all similarly situated stakeholders to have a utility structure that encourages the utility to support cost-effective and strategic investments in energy efficiency.

Decoupling can provide the Companies with critical, foundational assurance that efforts to improve energy efficiency or support distributed generation will not impair the Companies’ ability to collect and retain its authorized revenue.

**Our Specific Comments:**

1. For purposes of these comments, we find it helpful to re-state the purpose of decoupling. It is to enable the Companies to collect and retain its authorized revenue, as established by the Council -- no more, no less – even if customer usage or the number of customers increases or declines between rate cases.
2. The Companies’ Proposal recommends implementing decoupling in concert with a new FRP in the next rate case, which, according to the Companies’ Proposal, is expected in 2018. We do not object to the concept of implementing decoupling at the time of a new rate case. However, we also would not object if the Council deemed it reasonable to undertake a new rate case prior to 2018. .
3. The Companies’ Proposal refers to the FRP separately from the decoupling mechanism. This is a source of confusion, because a Formula Rate Plan is considered a partial decoupling mechanism. For example, the periodic adjustment in the 2008 FRP is similar to the periodic adjustment contemplated in a decoupling mechanism. We suggest discussing either an FRP or a full decoupling mechanism, not both, because it would not make sense to implement two different decoupling mechanisms simultaneously.
4. We recommend the Council adopt the following terms to implement decoupling:
   1. The Council will establish total authorized revenue requirement for the Companies, including recovery of all fixed costs plus a rate of return, to be defined in the Council’s discretion. The Council will determine how the Companies will recover variable costs, which may be included in the total authorized revenue or included in riders, such as a fuel cost rider.
   2. The Council will define a periodic true-up (or adjustment) function, by which rates in the subsequent period are adjusted so that the total authorized revenue requirement is collected by the Companies – any shortfall in one period is recovered in the subsequent period, and any over-earning in one period is returned in the subsequent period, by means of a rate adjustment. The formula to adjust rates in subsequent period as compared to a baseline year (or test year).
   3. The formula for the adjustment to assure the Companies’ collect exactly the total authorized revenue will not contain any “dead band” or “upper/lower” band range of any amount greater than an amount that is *de minimis*.
   4. There is no “lost contribution to fixed costs” or other mechanism to provide the Companies with additional revenues due to declines in usage, whether such declines are due to energy efficiency efforts of the Companies, energy efficiency due to building codes, greater efficiency of appliances, or any other reason.
   5. To accomplish the goals of decoupling, the FRP with decoupling must be designed to assure the company collects its total authorized revenues, no more, no less. The adjustment will assure the Companies receive the total authorized revenue requirement, whether usage declines or increases between rate cases.
   6. In addition to total authorized revenue for the Companies, the Council may authorize additional revenue the Companies may collect as incentives for the Companies to meet or exceed certain goals specified by the Council, such as energy efficiency targets, reliability standards, grid hardening, renewable energy targets, low-income housing benefit, etc.
5. Re: Type. On page 8 of the Companies’ Proposal, in the paragraph titled “Type,” the Companies state: “The full decoupling mechanism rider could be explicitly shown as a separate line item on the customer’s bill, or added to (or deducted from) any FRP rider amount on the customer’s bill…” We encourage the Companies and the Council to treat an adjustment to rates under decoupling just as it would treat any adjustments to rates made under the 2008 FRP. The experience gained with how adjustments we explained to customers under the prior 2008 FRP should be useful. We do not concur with any proposal to itemize a “decoupling rider” amount on customers’ bills separate from base rates or FRP adjustments. Any attempt to separately itemize a decoupling adjustment would only add to the confusion experienced by customers when trying to decipher their bills.

6. Re: Affected Customers (i.e., excluding certain customer classes). We strongly encourage the Council and the Companies to not exclude municipal customers, large electric, or large electric high load factor customers. Based on the information presented, we recommend the Council reject any proposal to exclude customer classes except for those with fewer than 20 customers.

It is helpful to begin with a principle to guide decisions about which customer classes to include and exclude. We propose that excluding customer classes with very few, large customers (e.g., < 20) may make sense due to the risk of significant changes to rates if one or more very large customers departs (or is added) or risk of cross-subsidization between customer classes.

There is a reasonable basis to include all rate classes within the decoupling mechanism that participate in the Energy Smart program, as there will not be lost contribution to fixed costs for the Companies, but rather assured recovery of total authorized revenues.

The Council should note that in June, 2013, the Washington Utilities and Transportation Commission ordered full revenue decoupling for Puget Sound Energy, an Avista company (see [Final Order in Docket UE-121697 and UG-121705](http://www.utc.wa.gov/_layouts/CasesPublicWebsite/GetDocument.ashx?docID=777&year=2012&docketNumber=121697)). The order reflects productive discussions between the Commission, the utility, customers, and parties such as the Northwest Energy Coalition to work through the many issues similar to those presented here. The Commission rejected a proposal to exclude large commercial and industrial customers, and included these customer classes in the decoupling mechanism (see Final Order, discussion at page 53).

The Council should also note that an FRP that includes automatic rate adjustments between rate cases – such as the 2008 FRP -- raises the same question of whether to include all customer classes or exclude certain classes. The question raised is not limited to the decoupling proposal, and it is will be raised by any rate adjustments contemplated in the next FRP.

In the event the Council or the Companies propose to exclude any of the customer classes named above, we strongly suggest providing detailed information on the customer profile in the class, total usage per customer, volumetric rates, demand charges, and a description of the basis for concluding that the Companies should retain revenue above the amount of authorized revenue due to usage increases between rate cases for these customers (or conversely, why the companies should bear losses due to usage declines between rate cases from these customers).

1. Re: Rate Caps. As we understand the Companies’ Proposal, the Companies do not propose any annual rate impact cap (see discussion at page 9). We concur that the FRP or full-decoupling proposal proceed without any fixed cap on how much rates can adjust due to changes between rate cases. The reason for this is that the Council can make changes at any time to the scheduled adjustments. Adjustments to rates under the decoupling proposal above 5% are likely to only occur in extraordinary circumstances, such as an extreme storm. The Council could suspend any schedule adjustment with a simple majority vote.
2. Re: Affected Cost. On page 10 of the Companies’ Proposal, in the paragraph titled “Affected Cost,” the Proposal states: “The companies propose that the full decoupling mechanism would include the allocated portion of total fixed and non-fuel variable costs….” Exactly what expenses are included in “non-fuel variable costs”?
3. Re: “K-Factor Adjustment.” On Page 11, the Companies propose including a “K-factor Adjustment” in order to provide added revenue to the Companies to compensate the Companies for increases to the cost of service that can be expected between rate cases.

This is not the time or context for the Council to consider how the Companies should be compensated for increases in the cost to provide service that occur between rate cases. Instead, we recommend that the Council consider this question in the context of setting total authorized revenue in the next rate case or in the FRP/full-decoupling mechanism.

We are not comfortable at this time supporting garuanteed revenue increases within the decoupling adjustment. It does not make sense to consider this added revenue when the Companies will be allowed a true-up each year. In addition, when the Council does consider this matter, any such amounts to compensate the Companies for increases to the cost of service should be assessed as a net concept (i.e., in light of decreases to the cost of service that can be expected).

Respectfully submitted: August 12, 2015

By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

for Alliance for Affordable Energy

[ Name ]

Green Coast Enterprises

[ Name ]

Greater New Orleans Housing Alliance

Gulf States

[ END ]

1. We very much appreciate the Companies willingness to allow AAE to engage in the collaborative process (including workshops and teleconferences) with the support of colleagues at other organizations, such as the Natural Resources Defense Council, who have provided technical support. ENO has been gracious in this regard and it is appreciated. [↑](#footnote-ref-1)